

F R E D E R I C W. C O O K & C O., I N C.

THE 1999 TOP 250

Long-Term
and
Stock-Based
Grant
Practices
for
Executives
and
Directors

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Overview

This report presents information on long-term incentive and stock-based grant types currently in use for executives and non-employee directors of the 250 largest companies having one or more class of common stock included in the Standard & Poor's 500 Index. Selection of these companies was based on their total market capitalization, i.e., share price multiplied by total shares outstanding. The information in this report is presented both in summary form and on a company by company basis.

Background

Since 1973, *Frederic W. Cook & Co., Inc.* has published an annual report on long-term incentive grant practices for executives of the largest U.S. companies. This 1999 report, our 27th, is based on the 250 largest companies as reported in the March 29, 1999 issue of *Business Week* magazine ("The Top Companies of the S&P500").

The following topics are covered in this report:

Executives:

- Long-term incentive grants
- Stock option features
- Payment of annual incentives in stock
- Ownership guidelines

Directors:

- Stock-based grants
- Payment of retainer and/or fees in stock
- Ownership guidelines

Other Survey Parameters

The information in this report is based on company proxy statements, annual reports, and 10-K filings. In cases where publicly available information is unclear, direct inquiries are made to the companies. Definitions for each grant type appear in the *Appendix*. The comparisons to prior year practices do not reflect a constant company population, since, as previously noted, a snapshot of company size determines inclusion in this report. Therefore, "trend" data can be influenced by changes in the company sample from year-to-year, as well as actual changes in grant usage.

Executive Long-Term Incentive Grants

The information presented throughout this report focuses on the actual usage of long-term incentive awards, rather than on the company's ability to make a particular type of grant. A grant type is considered to be in use at a particular company if grants have been made within the previous three years, and there is no evidence that its usage has been discontinued. While most data reflect usage through fiscal year 1998, the survey attempts to present more current grant practices wherever possible.

To be considered a "long-term incentive" for purposes of this report, a grant must possess the following characteristics:

- Grant must generally be made under a formal plan or practice, and not be part of an individual agreement, arrangement, or contract. Therefore, a grant determined to be made specifically as a hiring incentive, replacement of lost benefits upon hiring or other unique situations is typically excluded. There are instances,

however, where a specific grant type is reported as being used, even though the only grant recipients appear to be the chief executive officer (CEO) and/or other top executives and the purpose of the grant was not determinable. In these situations, the grant is typically included.

- Grant must not be merely a form of payment under an annual or other long-term incentive plan.
- Grant type must not be delivered primarily to accommodate foreign tax or securities laws, e.g., the granting of stock appreciation rights (SARs) in foreign countries as an alternative to the normal award of stock options in the U.S.

Non-Employee Director Stock-Based Grants

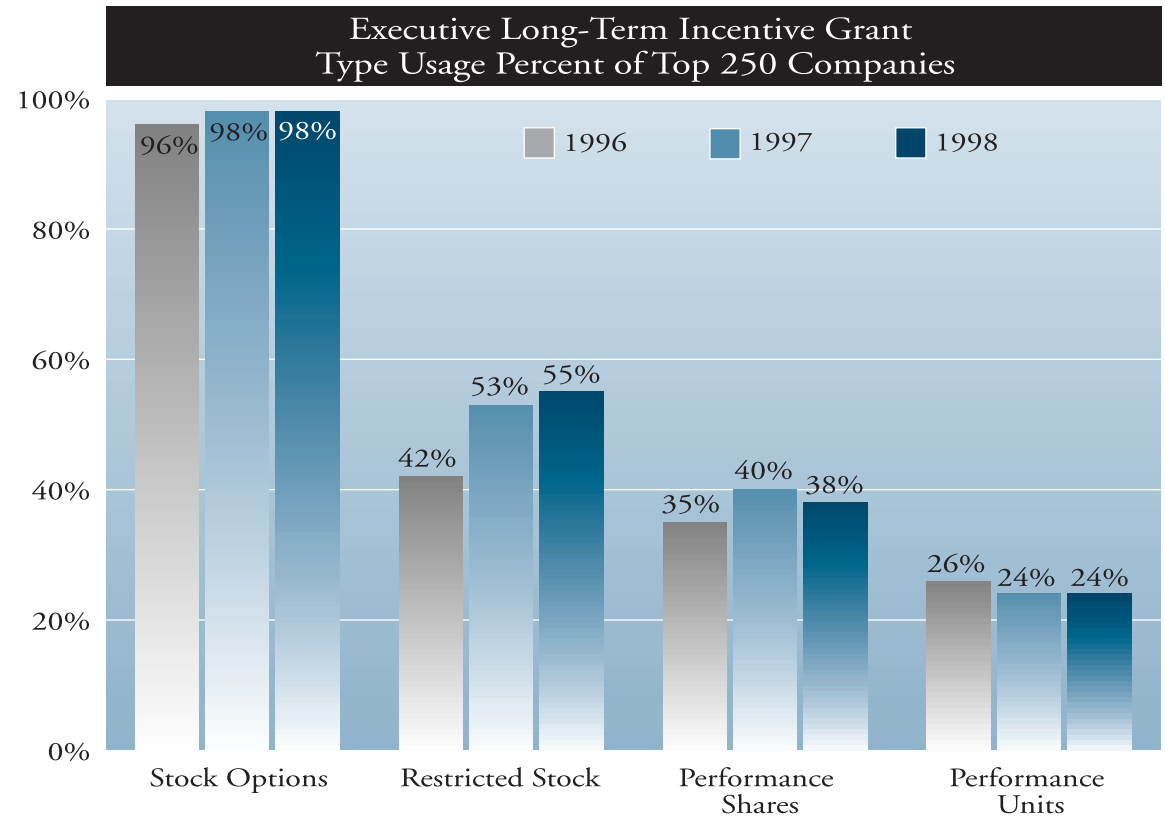
With respect to non-employee directors, a stock-based grant type is considered to be in use at a particular company if the most recent disclosure indicates either that the particular grant type is being used, or that it could be granted in lieu of any cash retainer, regardless of whether such election is actually made. Where companies have disclosed a prospective change in their directors' compensation program, the new award practice is reflected rather than the most recent practice.

Summary of Major Executive Long-Term Incentive Grant Types In Use

Stock Options are rights to purchase company stock at a specified exercise price over a stated option term, and represent the most widely used long-term incentive grant type among the Top 250 companies; in fact, all but six of the companies grant stock options. Usage of different variations of the “plain vanilla” stock option continues to increase, as summarized in greater detail on page five of this report.

Restricted Stock includes actual shares or share “units” that are earned solely by continued employment. After a dramatic increase in usage between 1996 and 1997, usage of restricted stock appears to have leveled-off in 1998, with fifty-five percent of the Top 250 companies using this grant type.

Performance Awards consist of stock-denominated performance “shares” and cash-denominated performance “units,” which are earned over a multi-year performance period. Currently, fifty-eight percent of the Top 250 companies use either one or both of these grant types, with more companies using performance shares than performance units.



Summary of Executive Long-Term Incentive Grants

		Percent of Companies Using Grant Type		
		1998	1997	1996
Overall: (See Appendix for definition)	<i>Any Type of Grant</i>	100%	100%	99%
	<i>Appreciation Grants</i>	98	98	96
	<i>Full-Value Grants</i>	77	78	75
	<i>Other Grants</i>	21	24	8
By Grant Type:	<i>Stock Options</i>	98%	98%	96%
	• Performance	20	19	15
	• Restoration (Reload)	19	19	16
	• Premium	10	8	6
	• Discount	1	1	<1
	• Dividend Rights	4	4	3
	• Indexed	0	<1	0
	<i>Restricted Stock</i>	55%	53%	42%
	• PARSAPs	2	3	3
	<i>Performance Shares</i>	38%	40%	35%
	• Dividend Rights	15	16	20
	<i>Performance Units</i>	24%	24%	26%
	<i>SARs</i>	4%	5%	7%
	• Tandem	1	3	4
	• Freestanding	3	2	2
	• Additive	0	0	1
	<i>Tandem Grants</i>	2%	2%	2%
<i>Stock Purchase Opportunities</i>	1%	2%	2%	
<i>Formula-Value Grants</i>	1%	1%	1%	

Executive Stock Option Variations

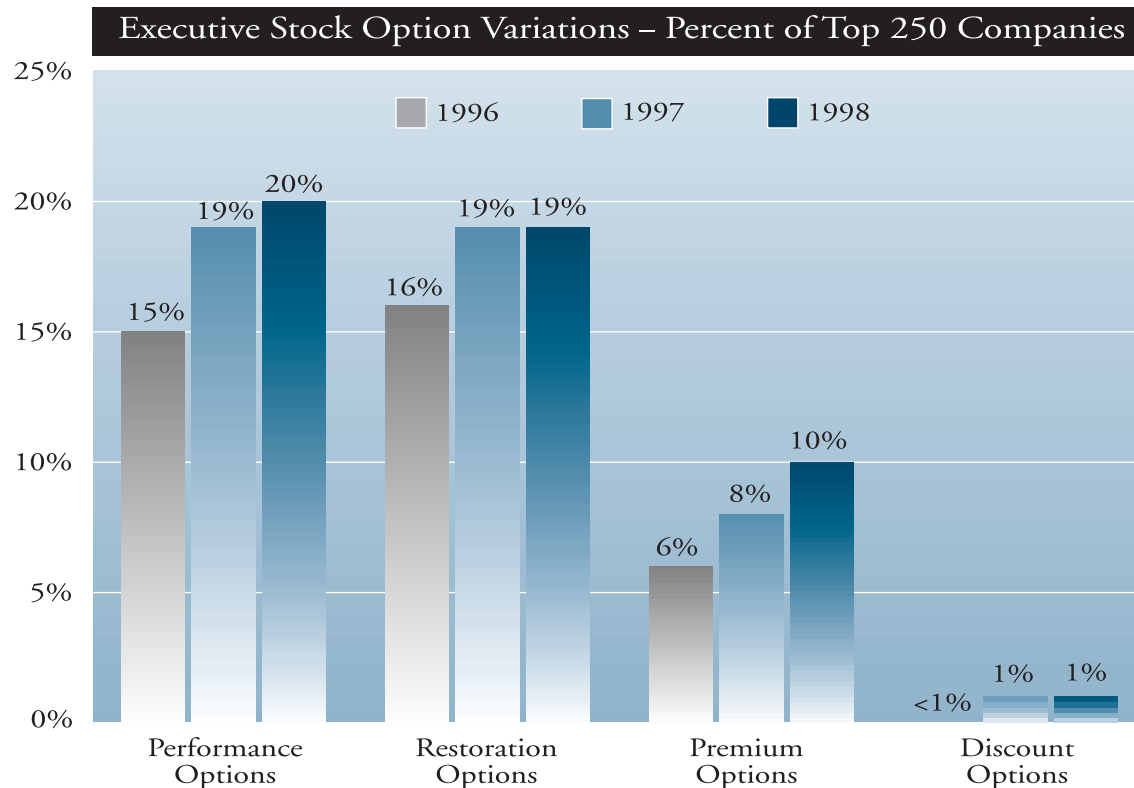
Overview – Forty percent of companies with stock options have incorporated one or more design variations into their stock option grants. The following are the principal option grant design variations in use at the Top 250 companies:

Performance Stock Options are stock options that have some aspect of their vesting tied to specified performance criteria. The number of Top 250 companies with performance options continues to increase, most likely in response to investor concern regarding stock price increases that may not be related to company performance. Twenty percent of Top 250 companies use performance options. Of these, sixty-eight percent use performance criteria to accelerate the vesting schedule, thus preserving favorable “fixed” accounting treatment under APB Opinion No. 25. The remaining companies use performance-vesting options that are forfeited if the performance criteria are not met.

Restoration (Reload) Stock Options are options granted with a feature that typically allows for additional options to be granted to replace or “restore” the already-owned shares

exchanged in a “stock-for-stock” exercise. They are designed to encourage management stock ownership. (In fact, fifty-four percent of the Top 250 companies with restoration option programs have publicly disclosed formal stock ownership guidelines.) Nineteen percent of this year’s survey population uses restoration options.

Premium and Discount Stock Options have an exercise price above or below the market price at grant, respectively. A small portion of the Top 250 companies use premium options, with usage increasing from 8% in 1997 to 10% in 1998. Use of discount options continues to be rare (only 1% of Top 250 companies).



Executive Stock Option Variations – Top 250 Companies Using

Performance Stock Options:	<i>Performance Vesting -</i>				
	Bank of America	Colgate-Palmolive	Masco	Sears, Roebuck	
	Capital One Financial	Dow Chemical	Mattel	St. Paul Cos.	
	Chevron	DuPont	Monsanto	Time Warner	
	Citigroup	Hartford Financial Services	PECO Energy	Transamerica	
Coca-Cola Enterprises	KeyCorp	Penney (J.C.)			
Performance Accelerated Vesting -	AlliedSignal	DuPont	Marriott International	Sysco	
	Alltel	Emerson Electric	Mellon Bank	Texas Instruments	
	Amgen	Enron	Micron Technology	U.S. Bancorp	
	Baxter International	First Data	Monsanto	Union Pacific	
	Bristol-Myers Squibb	Franklin Resources	Ralston Purina	United Healthcare	
	Clorox	Hartford Financial Services	Rite Aid	United Technologies	
	CSX	Heinz (H.J.)	Sara Lee	Waste Management	
	CVS	Kroger	Sprint	Williams Cos.	
	Deere	Lucent Technologies			
	Restoration Stock Options:	Abbott Laboratories	CBS	International Paper	Pharmacia & Upjohn
		Alcoa	Chubb	Kellogg	PNC Bank
		Allstate	Cigna	Lincoln National	PPG Industries
American Express		Citigroup	Masco	Sara Lee	
American General		Colgate-Palmolive	McGraw-Hill	Sears, Roebuck	
Amgen		Conseco	MediaOne Group	Sprint	
Bank One		Corning	Mellon Bank	Texaco	
BankBoston		DuPont	Mercantile Bancorp.	Tribune	
Bell Atlantic		First Union	Minnesota Mining & Mfg.	Tyco Intl.	
Bestfoods		Goodyear	Morgan Stanley Dean Witter	U.S. Bancorp	
Burlington Northern Santa Fe		GTE	National City	U S West	
Capital One Financial		Honeywell	Northern Telecom	Wells Fargo	
Premium Stock Options:		Air Products & Chemicals	Clorox	Federated Department Stores	Morgan (J.P.)
		AirTouch Communications	Coca-Cola Enterprises	First Data	Philip Morris
		America Online	Colgate-Palmolive	Gap	PNC Bank
	Bank of America	Comcast	Halliburton	Schwab (Charles)	
	Baxter International	Deere	Mattel	Time Warner	
	CBS	Disney (Walt)	Monsanto	Transamerica	
Discount Stock Options:	Dell Computer	EMC	Hewlett-Packard		

Other Executive Grant Type Variations

Overview - There are limited instances where other grant type variations (listed below) are in use at the Top 250 companies:

SARs are rights to receive at exercise the increase between the grant price and the market price of a share of stock. Currently, four percent of the Top 250 companies use this type of grant, consistent with last year. There are different types of SARs that can be granted. Tandem SARs are granted in “tandem” with stock options, with the exercise of one canceling the other. Freestanding SARs provide for a payment equal to the appreciation on “phantom” shares, without regard to any stock option, and additive SARs are rights granted in addition to a stock option. There are no additive SARs reported in this survey.

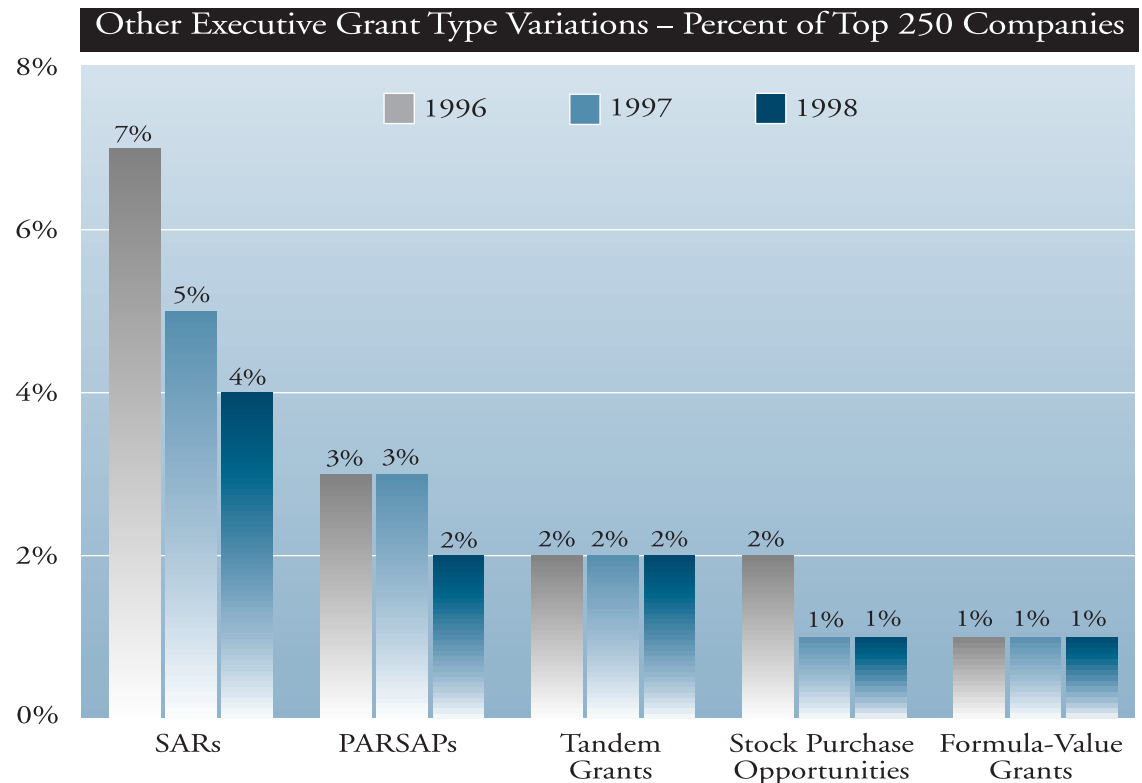
PARSAPs represent grants of restricted stock or stock units on which time-based restrictions may be accelerated by attainment of specified performance objectives. Two percent of the Top 250 companies grant PARSAPs.

Tandem Grants represent the simultaneous award of two grant types (other than tandem stock options/SARs) where the exercise or vesting of one grant type cancels the other. Only two percent of the Top 250 companies make tandem grants.

Stock Purchase Opportunities allow for shares to be purchased at or below current market value, with company financing often available (in many cases this may include the possibility of loan forgiveness by the company). The shares purchased at a discount are generally subject to restrictions on disposition, with the company retaining the right over the restriction period to repurchase the shares at the discounted price. Only one per-

cent of the Top 250 companies has executive stock purchase programs.

Formula-Value Grants have a value based on a formula rather than the market value of company stock, e.g., Kimberly-Clark uses increase in book value per share. Formula-value grants can be in the form of an “appreciation right” or a “full value” grant. Only one percent of the Top 250 companies make formula-value grants.



Executive Grant Type Variations – Top 250 Companies Using

SARs:			
• Tandem	American Express Comcast Fleet Financial Group	Ford Motor Goodyear Tire & Rubber	Philip Morris Regions Financial
• Freestanding	Seagram	United Technologies	Wachovia
PARSAPs:			
	Electronic Data Systems Lowe's Companies	Lucent Technologies Staples	SunTrust Banks
Tandem Grants:			
• Stock Options/ Performance Units	Bestfoods	Ford Motor	Public Service Ent. Group
• Stock Options/ Restricted Stock	International Paper		
Stock Purchase Opportunities:			
• Market Value	Monsanto	St. Paul Cos.	
Formula Value Grants:			
	Edison International	Johnson & Johnson	Kimberly-Clark

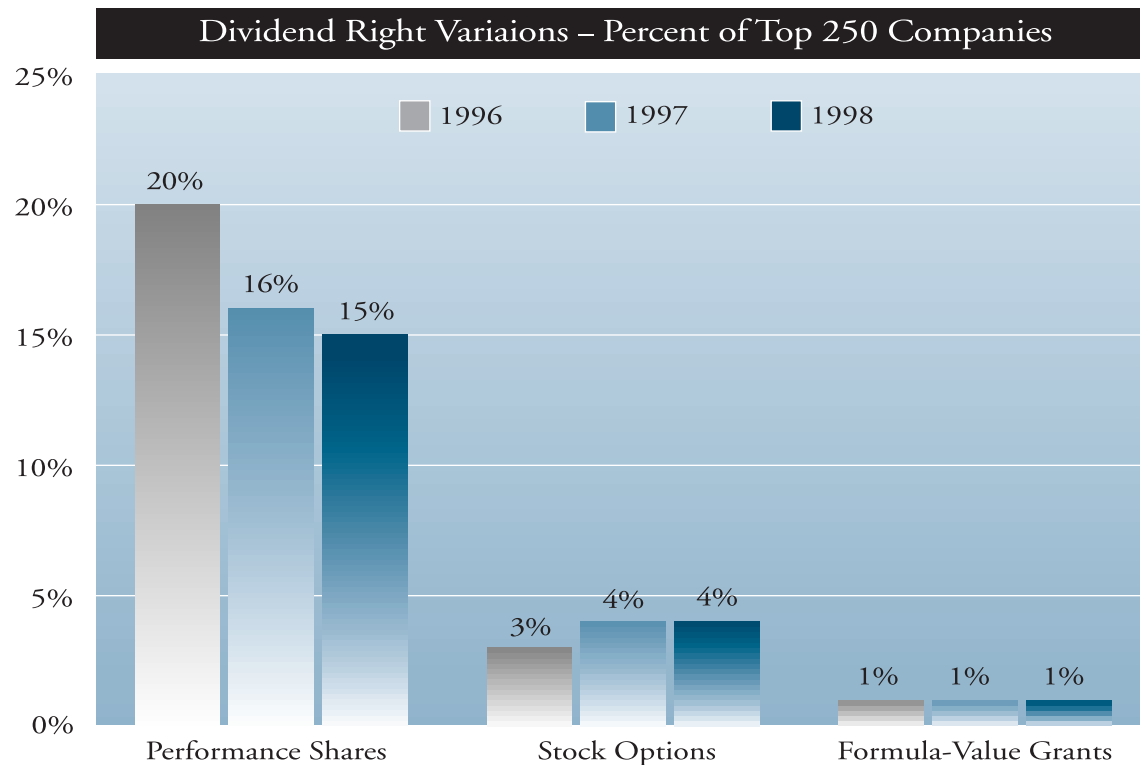
Dividend Right Variations

Overview - Dividend rights enable the recipient to receive an amount equal to the dividends paid on a specified number of shares of company stock. These may be “real” dividends when actual shares are issued, or dividend “equivalents” when share “units” or stock options are involved. As summarized below, dividend rights are almost always attached to another long-term incentive grant type.⁽¹⁾ “Stand-alone” dividend equivalent rights are not currently used by any of the companies in the Top 250.

Performance Shares with Dividend Rights are awarded by thirty-nine percent of the companies granting performance shares.

Stock Options with Dividend Equivalent Rights are awarded by only nine of the 244 companies granting stock options (4%). Their use continues to be concentrated in higher-dividend-yield companies to capture total shareholder return.

Formula Value Grants with Dividend Equivalent Rights are used by the three Top 250 companies that use formula value grants.



⁽¹⁾For purposes of this report, dividend rights are assumed to be granted with restricted stock and, therefore, are not tracked separately.

Executive Dividend Right Variations – Top 250 Companies Using

Performance Shares with Dividend Rights:	Air Products & Chemicals	Corning	Ingersoll-Rand	Pitney Bowes	
	American Electric	Deere	International Paper	Reliant Energy	
	AT&T	Dow Chemical	Kroger	Sara Lee	
	Bank One	Eastman Kodak	Lincoln National	Sears, Roebuck	
	BankBoston	Enron	Lowe's Companies	Texaco	
	Baxter International	Fleet Financial Group	Marriott International	Texas Instruments	
	Boeing	Ford Motor	McGraw-Hill	Xerox	
	Campbell Soup	Goodyear Tire & Rubber	Mellon Bank		
	Chase Manhattan	GTE	Mobil		
	Colgate-Palmolive	Hewlett-Packard	PG&E		
	Stock Options with Dividend Rights:	Alcoa	Edison International ⁽¹⁾	PG&E	Southern
		Ameritech	Norfolk Southern	Public Service Ent. Group	United Technologies
Atlantic Richfield					
Formula Value Grants with Dividend Rights:	Edison International	Johnson & Johnson	Kimberly-Clark		

⁽¹⁾With additional performance criteria

Executive Annual Incentives Paid In Stock Awards

Annual incentives paid in stock or stock options continue to increase in prevalence as companies seek to further align executive pay with increases in shareholder value. Of the Top 250 companies, twenty-eight percent have disclosed provisions for payment of annual incentives in some form of equity-based vehicle. Following are the *typical* provisions found:

- *Mandatory payments* in stock typically represent a specified percent of the award payout, as determined by the company's compensation committee. Thirty-five companies disclosed that they pay at least a portion of annual incentives in shares of stock or stock options, and twenty percent of those companies provide for elective payments in stock for the balance of the award.
- *Elective payments* typically allow the executive to choose payment in stock of up to 100% of the annual incentive amount. Forty-one companies disclosed that they allow executives to receive at least a

portion of annual incentives in shares of stock or stock options.

- *Inducements* are offered by seventy percent of the companies using stock for payment of annual bonuses to promote elective payments in stock or options. For example, Alcoa and General Mills offer premiums, where the company will match one restricted share for every four shares elected in lieu of cash payment of bonus. Some companies, such as Dell Computer, offer discounts from the stock market value to encourage elective payments in stock.
- *Payment in stock options* is less common than payment in stock or stock units, with ten companies allowing elective payment in options, and three with mandatory payment in options.
- *Percent of bonus* paid in stock typically falls in the range of twenty percent to thirty percent of bonus for mandatory plans.

An alternative approach, used by approximately ten percent of the companies with mandatory plans, requires that only a portion of the bonus in excess of a pre-specified amount be paid in stock. For example, BankBoston pays 25% of an executive's bonus in excess of \$300,000 in stock, and State Street Corp. pays amounts earned in excess of the target award in stock.

Executive Annual Incentive Variations – Top 250 Companies

Payment in Stock or Stock Units

• Mandatory

American Home Products	Computer Associates	Marriott International	Providian Financial
BankBoston	Consolidated Edison	Mellon Bank	State Street
Bankers Trust	DuPont	Merrill Lynch	Texas Utilities
Bell Atlantic	Franklin Resources	Minnesota Mining & Mfg.	Textron
Boeing	Gannett	Morgan (J.P.)	Tyco International
Carnival	GTE	Morgan Stanley Dean Witter	Unicom
CBS	Halliburton	PPG Industries	Wells Fargo
Chase Manhattan	Johnson & Johnson	Procter & Gamble	Williams Cos.
Citigroup	Kmart		

• Elective

Alcoa	Comerica	Marriott International	Seagram
American Electric Power	CSX	Marsh & McLennan	Sears Roebuck
American Home Products	CVS	MBNA	Sysco
Associates First Capital	General Mills	National City	Textron
Boeing	GTE	Quaker Oats	Tricon Global Restaurants
Burlington Northern Santa Fe	Hartford Financial Services	Ralston Purina	Unicom
Chevron	Illinois Tool Works	Safeway	Williams Cos.
Clorox	Ingersoll-Rand	SBC Communications	Wrigley (Wm.) Jr.

Payment in Stock Options

• Mandatory

Eastman Kodak	Morgan Stanley Dean Witter	Procter & Gamble
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• Elective

Aetna	CVS	Medtronic	SBC Communications
Capital One Financial	Dell Computer	PG&E	Sprint
Computer Sciences	Kellogg		

Executive Stock Ownership Guidelines

Overview – Thirty-eight percent of the Top 250 companies have formal stock ownership guidelines that require executives to own a certain amount of company stock. (We believe, however, that the percent of Top 250 companies with ownership guidelines is probably higher than thirty-eight percent because disclosure of guidelines is voluntary.) While this is the first year that we have included ownership guidelines in the Top 250 report, we expect to see the prevalence of ownership guidelines increasing over the next years as companies seek to strengthen executives' commitment to the long-term success of the company and instill confidence in outside investors. Guidelines are typically stated as a multiple of salary or as a specific number of shares. The following describes the prevalence of ownership guidelines at Top 250 companies⁽¹⁾:

- *Multiple of salary* guidelines are the most common approach, with seventy-seven percent of the companies with ownership guidelines adopting this approach. Only three percent of companies with ownership requirements state their guidelines as a multiple of annual compensation, e.g., salary plus target bonus.
- *Number of share* guidelines are used by ten percent of the Top 250 companies with formal ownership guidelines.
- *Retention ratio* guidelines that require executives to retain a certain percentage of option profit shares or earned shares from long-term incentive plans are used by five percent of the Top 250 companies.

⁽¹⁾Five percent of the companies did not disclose the type of ownership guidelines

Executive Stock Ownership Guidelines – Top 250 Companies

Multiple of Salary

Air Products & Chemicals	Coca-Cola	Honeywell	Pfizer
Airtouch Communications	Coca-Cola Enterprises	Household International	PG&E
American Express	Comcast	Illinois Tool Works	Pitney Bowes
American General	Comerica	Kellogg	Procter & Gamble
American Home Products	CSX	KeyCorp	Reliant Energy
Associates First Capital	Deere	Lincoln National	Rockwell International
AT&T	Delta Airlines	Lockheed Martin	Sears, Roebuck
Bank One	Dow Chemical	Marriott International	St. Paul Cos.
Bank of America	Duke Energy	Masco	Textron
BankBoston	DuPont	May Department Stores	Tribune
Becton Dickinson	Eastman Kodak	McDonald's	Tricon Global Restaurants
Bell Atlantic	Enron	MediaOne Group	U.S. Bancorp
BellSouth	Ford Motor	Mobil	Union Pacific
Bestfoods	Gannett	Monsanto	Unisys
Boeing	General Motors	Motorola	US West
Burlington Northern Santa Fe	GTE	Northern Telecom	Warner Lambert
Campbell Soup	Hartford Financial Services	PECO Energy	Weyerhaeuser
Clorox	Hershey Foods	Penney (J.C.)	Xerox

Multiple of Annual Compensation

Ameritech	Hewlett-Packard	IBM
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Number of Shares

Alcoa	IMS Health	Mercantile Bancorporation	Sara Lee
American Electric Power	Mattel	National City	Sun Microsystems
Compaq Computer			

Retention Ratio

Caterpillar	Merck	Norfolk Southern	Wells Fargo
Citigroup			

Summary of Director Stock-Based Grants

Overview – Ninety-three percent of the Top 250 companies compensate non-employee directors using some form of stock-based grants. Director grant usage continues to increase for every type described below. This increase may be attributed to companies that have replaced cash retainers with stock grants and, to a greater extent, companies that have eliminated director pension plans in response to shareholder criticism.

Stock Options have increased in use over the last year, with fifty-eight percent of the Top 250 companies making grants. Most stock option grants to non-employee directors are “plain-vanilla” stock options. The following are some variations to the typical “plain-vanilla” stock option grant:

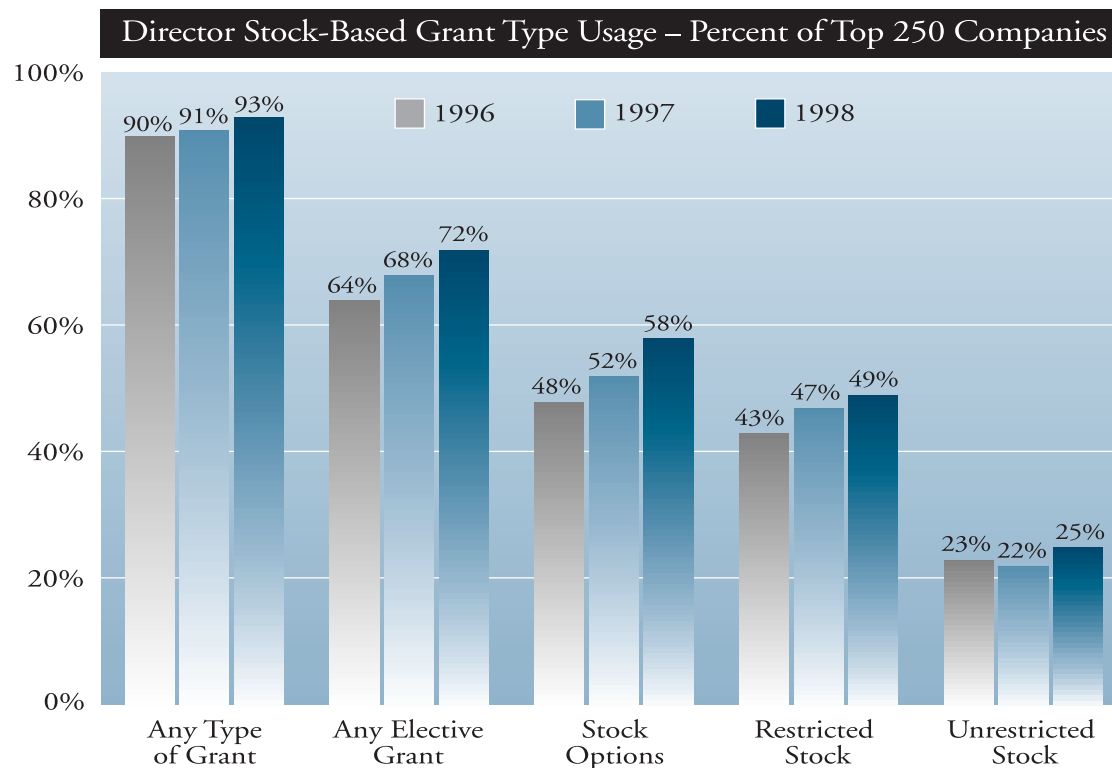
- *Performance Options* have a company performance goal that must be achieved before directors receive option grants or before the options

become exercisable. Only two percent of the Top 250 companies grant performance options to directors. Computer Associates determines the number of options to grant based on the company’s attainment of ROE objectives and Sysco must have ten percent growth in EPS over the prior year for the directors to receive option grants. Coca-Cola Enterprises granted premium-priced options to directors and Union Pacific granted options that vest based on the achievement of stock price objectives.

- *Restoration Options* are granted to directors at Abbott Laboratories, Allstate, Amgen, Sara Lee, U.S. Bancorp and Wells Fargo.
- *Tandem SARs* are granted with director stock options at BellSouth.

Restricted Stock grants have increased in use slightly over last year; they are used by forty-nine percent of the Top 250 companies. Also referred to as restricted stock units, these shares are restricted from sale or transfer, usually until retirement from the Board.

Unrestricted Stock is granted by twenty-five percent of the Top 250 companies. These shares are free of any transferability restrictions and are typically granted in lieu of a portion or the entire cash annual retainer.

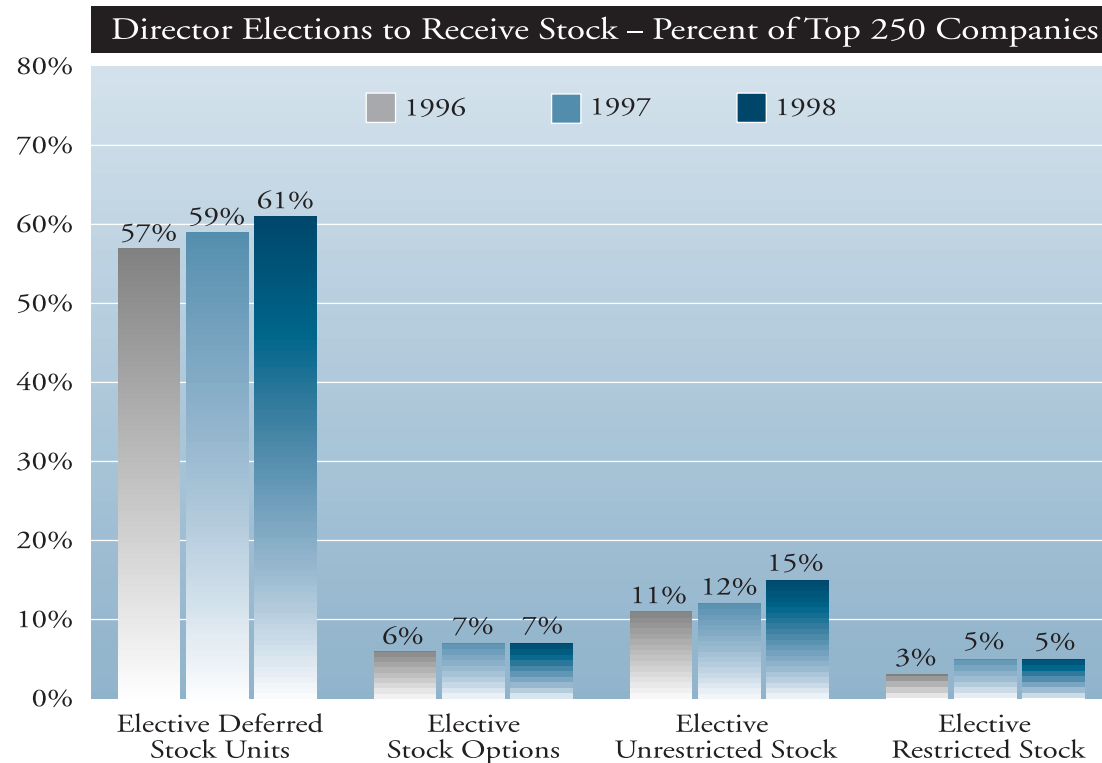


Elections to Receive Stock are offered by seventy-two percent of the Top 250 companies. Under any of the variations identified below, directors may elect to convert all or a portion of their cash retainers and fees into company stock. Some companies induce directors to purchase company stock through discounted stock purchase programs or stock matching programs.

- *Deferred Stock Units* allow cash deferrals into an unfunded account denominated in company stock. Stock price appreciation and dividends typically accumulate to be paid out upon retirement or another specified date. To encourage participation, a few companies offer “premiums” on amounts deferred, e.g., Unocal offers a twenty percent premium.
- *Stock Options* are also offered in place of cash and occasionally at an exchange ratio of three or four dollars of option face value for each dollar forgone. U.S. Bancorp allows directors to elect to receive stock options that have an exercise price below fair market value at the time of the grant. BellSouth has a program where directors receive one additional option share for every

two shares owned in excess of a specified ownership level, i.e., shares worth five times the annual retainer.

- *Restricted or Unrestricted Stock* is simply the receipt of common shares in place of cash. The number of companies allowing directors to elect stock (either restricted or unrestricted), in lieu of cash, continues to increase.



Director Stock Ownership Guidelines

Overview – Sixteen percent of the Top 250 companies have stock ownership guidelines that require directors to own a certain amount of company stock. While less prevalent than executive ownership guidelines, director stock ownership guidelines are becoming more common as companies seek to strengthen the alignment between director and shareholder interests.

- *Multiple of retainer* is the most common type of ownership guideline in place for directors. Fifty-six percent of companies with director ownership requirements state the guideline as a multiple of annual retainer. Only one company with director ownership guidelines states the requirement as a multiple of annual retainer plus fees.
- *Number of shares* ownership guidelines are used by thirty-one percent of the Top 250 companies with director ownership requirements.
- *Other types* of director ownership guidelines include a retention ratio approach or specific dollar value requirements and are used by ten percent of companies with director ownership guidelines. Citigroup directors are required to hold 75% of shares previously granted and Comcast requires that directors hold 60% of the value of vested stock options and deferred stock. Airtouch Communications requires that directors own \$100,000 worth of stock before they can receive a stock option grant.

Director Stock Ownership Guidelines – Top 250 Companies

Multiple of Annual Retainer

American General	Duke Energy	Kellogg	Sears, Roebuck
AT&T	FDX	Lincoln National	St. Paul Cos.
Bank of America	General Mills	May Department Stores	U.S. Bancorp
Becton Dickinson	Hewlett-Packard	McDonald's	Unisys
BellSouth	Honeywell	Monsanto	Wells Fargo
Chubb	Illinois Tool Works		

Multiple of Annual Retainer and Fees

Ford Motor

Number of Shares

American Electric Power	Dow Chemical	Mattel	Northern Telecom
Campbell Soup	IMS Health	Meyer (Fred)	PECO Energy
Compaq Computer	Kroger	National City	Safeway

Retention Ratio

Citigroup	Comcast
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**Summary of Executive
and Director Grant Type
Usage by Company**

Company	EXECUTIVE LONG-TERM INCENTIVE GRANTS						DIRECTOR STOCK-BASED GRANTS					Ownership Guidelines		
	Appreciation		Full Value			Other Grants	Automatic			Elective		Executive	Director	
	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Dividend Rights	Other Types	Stock Options	Restricted Stock	Unrestricted Stock	Deferred Stock Units	Other Elective Grants	Executive	Director
3COM	X							X						
ABBOTT LABORATORIES	X		X					X		X	Options			
AETNA	X		X	X				X		X				
AIR PRODUCTS & CHEMICALS	X		X	X		X		X	X		X	X		
AIRTOUCH COMMUNICATIONS	X		X					X			X	Options	X	X
ALBERTSON'S	X							X						
ALCOA	X					X					X		X	
ALLIEDSIGNAL	X		X		X			X	X		X			
ALLSTATE	X		X		X			X	X		X			
ALLTEL	X				X			X	X		Rest. Stock			
AMERICA ONLINE	X							X						
AMERICAN ELECTRIC POWER				X		X			X		X	Stock	X	X
AMERICAN EXPRESS	X	X	X	X	X			X		X	X		X	
AMERICAN GENERAL	X		X	X				X	X		X		X	X
AMERICAN HOME PRODUCTS	X			X				X	X		X		X	
AMERICAN INTL GROUP	X			X						X				
AMERITECH	X					X				X	X		X	
AMGEN	X							X						
AMR	X		X	X					X		X			
ANHEUSER-BUSCH	X										X			
AON	X		X							X	X			
APPLIED MATERIALS	X							X						
ARCHER DANIELS MIDLAND	X								X		X			
ASCEND COMMUNICATIONS	X							X						
ASSOCIATES FIRST CAPITAL	X		X					X					X	
AT&T	X		X	X		X			X		X		X	X
ATLANTIC RICHFIELD	X		X	X		X		X	X					
AUTOMATIC DATA PROCESSING	X		X					X						
AVON PRODUCTS	X		X		X			X	X		X			
BANK OF AMERICA	X		X							X	X			
BANK OF NEW YORK	X		X	X		X		X		X	X		X	
BANK ONE	X		X	X					X	X	X		X	X

**Summary of Executive
and Director Grant Type
Usage by Company**

Company	EXECUTIVE LONG-TERM INCENTIVE GRANTS						DIRECTOR STOCK-BASED GRANTS					Ownership Guidelines		
	Appreciation		Full Value			Other Grants	Automatic			Elective				
	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Dividend Rights	Other Types	Stock Options	Restricted Stock	Unrestricted Stock	Deferred Stock Units		Other Elective Grants	Executive
BANKBOSTON	X		X	X		X		X		X	X		X	
BANKERS TRUST	X		X		X					X	X			
BAXTER INTERNATIONAL	X			X		X			X					
BB&T	X			X								Options		
BECTON, DICKINSON	X								X			Stock	X	X
BELL ATLANTIC	X			X				X	X		X		X	
BELLSOUTH	X		X		X			X		X	X		X	X
BESTFOODS	X			X			Tandem		X		X		X	
BMC SOFTWARE	X		X					X						
BOEING	X		X	X		X		X	X		X		X	
BOSTON SCIENTIFIC	X							X			X			
BRISTOL-MYERS SQUIBB	X		X		X			X	X		X		X	X
BURLINGTON NORTHERN SANTA FE	X		X	X				X	X		X	Rest. Stock	X	
CAMPBELL SOUP	X			X		X		X		X		Stock	X	X
CAPITAL ONE FINANCIAL	X							X	X					
CARDINAL HEALTH	X		X					X						
CARNIVAL	X		X					X						
CATERPILLAR	X				X			X	X		X	Stock	X	
CBS	X							X	X					
CENDANT	X		X					X		X				
CHASE MANHATTAN	X			X		X				X	X			
CHEVRON	X			X					X		X			
CHUBB	X		X	X				X			X			X
CIGNA	X		X		X				X	X	X	Rest. Stock		
CISCO SYSTEMS	X							X						
CITIGROUP	X									X		Stock	X	X
CLEAR CHANNEL COMM.	X							X						
CLOROX	X		X	X				X	X		X	Stock	X	
COCA-COLA	X		X		X				X		X		X	
COCA-COLA ENTERPRISES	X		X		X			X	X		X		X	
COLGATE-PALMOLIVE	X		X	X		X		X		X	X			
COLUMBIA/HCA HEALTHCARE	X		X					X		X	X			

**Summary of Executive
and Director Grant Type
Usage by Company**

Company	EXECUTIVE LONG-TERM INCENTIVE GRANTS							DIRECTOR STOCK-BASED GRANTS					Ownership Guidelines	
	Appreciation		Full Value			Other Grants		Automatic			Elective			
	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Dividend Rights	Other Types	Stock Options	Restricted Stock	Unrestricted Stock	Deferred Stock Units	Other Elective Grants	Executive	Director
COMCAST	X	X						X					X	X
COMERICA	X		X		X			X					X	
COMPAQ COMPUTER	X							X				Options	X	X
COMPUTER ASSOCIATES INTL.	X							X	X					
COMPUTER SCIENCES	X								X					
COMPUWARE	X							X		X				
CONAGRA	X		X		X			X		X				
CONSECO	X		X					X	X					
CONSOLIDATED EDISON	X								X			Stock		
CORNING	X			X		X			X		X			
COSTCO	X							X						
CSX	X			X	X			X		X	X	Stock	X	
CVS	X		X	X						X		Stock	X	
DAYTON HUDSON	X								X		X			
DEERE	X		X	X		X			X		X		X	
DELL COMPUTER	X							X				Options		
DELTA AIR LINES	X		X							X	X		X	
DISNEY (WALT)	X							X			X			
DOMINION RESOURCES			X	X	X				X	X	X			
DOVER	X				X					X				
DOW CHEMICAL	X			X		X		X	X		X		X	X
DUKE ENERGY	X		X						X		X	Rest. Stock	X	X
DUPONT	X		X					X		X	X		X	
EASTMAN KODAK	X		X	X		X				X	X		X	
EDISON INTERNATIONAL	X					X	Formula Value		X	X				
ELECTRONIC DATA SYSTEMS	X						PARSAP	X	X			Options		
EMC	X							X						
EMERSON ELECTRIC	X		X	X					X		X			
ENRON	X			X	X	X		X	X		X	Options	X	
EXXON	X		X		X				X		X			
FANNIE MAE	X		X	X				X	X					
FDX	X		X		X			X						X

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	Appreciation		Full Value			Other Grants	Automatic			Elective		Executive	Director	
	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Dividend Rights	Other Types	Stock Options	Restricted Stock	Unrestricted Stock	Deferred Stock Units	Other Elective Grants	Executive	Director
FEDERATED DEPT STORES	X		X		X			X	X		X			
FIFTH THIRD BANCORP	X							X			X			
FIRST DATA	X				X			X				Options		
FIRST UNION	X		X		X						X			
FIRSTAR	X		X					X			X	Stock		
FLEET FINANCIAL GROUP	X	X	X	X		X			X		X			
FORD MOTOR	X	X	X	X		X	Tandem		X		X		X	X
FPL GROUP			X	X						X	X			
FRANKLIN RESOURCES	X		X								X			
FREDDIE MAC	X		X	X				X	X		X			
GANNETT	X		X								X		X	
GAP	X		X		X			X				Options		
GATEWAY	X		X					X						
GENERAL DYNAMICS	X			X										
GENERAL ELECTRIC	X		X		X			X		X	X			
GENERAL MILLS	X		X					X	X		X	Stock	X	X
GENERAL MOTORS	X				X			X	X		X		X	
GILLETTE	X							X	X		X			
GOODYEAR TIRE & RUBBER	X	X		X		X			X		X			
GTE	X			X		X			X				X	
GUIDANT	X							X	X					
HALLIBURTON	X		X						X		X			
HARTFORD FINANCIAL SERVICES	X		X	X				X	X				X	
HEINZ (H.J.)	X									X				
HERSHEY FOODS	X			X						X	X		X	
HEWLETT-PACKARD	X		X	X		X		X		X			X	X
HOME DEPOT	X								X			Rest. Stock		
HONEYWELL	X		X	X						X	X		X	X
HOUSEHOLD INTERNATIONAL	X		X					X			X	Options	X	
IBM	X		X	X				X	X		X		X	
ILLINOIS TOOL WORKS	X								X			Stock	X	X
IMS HEALTH	X		X	X				X	X		X		X	X

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	Appreciation		Full Value			Other Grants	Automatic			Elective				
	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Dividend Rights	Other Types	Stock Options	Restricted Stock	Unrestricted Stock	Deferred Stock Units		Other Elective Grants	Executive
INGERSOLL-RAND	X			X		X		X	X		X			
INTEL	X							X			X			
INTERNATIONAL PAPER	X		X	X		X	Tandem		X		X			
INTERPUBLIC GROUP	X		X		X			X	X					
JEFFERSON-PILOT	X				X			X			X			
JOHNSON & JOHNSON	X					X	Formula Value	X		X	X			
KELLOGG	X								X		X		X	X
KEYCORP	X				X			X			X		X	
KIMBERLY-CLARK	X					X	Formula Value		X		X			
KMART	X		X					X	X	X	X			
KOHL'S	X							X						
KROGER	X		X	X		X		X	X					X
LILLY (ELI)	X		X	X					X		X			
LIMITED	X		X	X				X		X				
LINCOLN NATIONAL	X		X	X	X	X			X		X		X	X
LOCKHEED MARTIN	X				X			X	X		X		X	
LOEWS					X									
LOWE'S COMPANIES	X			X		X	PARSAP	X		X	X			
LUCENT TECHNOLOGIES	X		X		X		PARSAP			X	X			
MARRIOTT INTERNATIONAL	X		X	X		X			X		X		X	
MARSH & MCLENNAN	X		X							X	X			
MASCO	X		X					X	X				X	
MATTEL	X				X			X			X		X	X
MAY DEPARTMENT STORES	X		X		X				X		X		X	X
MBNA	X		X					X						
MCDONALD'S	X				X			X	X		X		X	X
MCGRAW-HILL	X			X		X			X		X			
MCI WORLDCOM	X		X					X				Stock		
MEDIAONE GROUP	X		X					X	X	X	X		X	
MEDTRONIC	X		X	X				X	X			Options		
MELLON BANK	X		X		X	X		X						
MERCANTILE BANCORPORATION	X		X	X				X	X		X		X	

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	Appreciation		Full Value			Other Grants	Automatic			Elective				
	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Dividend Rights	Other Types	Stock Options	Restricted Stock	Unrestricted Stock	Deferred Stock Units		Other Elective Grants	Executive
MERCK	X							X			X		X	
MERRILL LYNCH	X		X						X		X			
MEYER (FRED)	X		X	X				X	X		X			X
MICRON TECHNOLOGY	X							X						
MICROSOFT	X							X						
MINNESOTA MINING & MFG.	X				X					X	X	Stock		
MOBIL	X			X		X			X		X		X	
MONSANTO	X				X		Stock Purch.	X				Options	X	X
MORGAN (J.P.)	X		X		X				X		X			
MORGAN STANLEY DEAN WITTER	X		X					X		X	X	Options		
MOTOROLA	X				X			X	X	X		Rest. Stock	X	
NATIONAL CITY	X		X		X				X	X			X	X
NEXTEL COMMUNICATIONS	X							X						
NIKE	X			X										
NORFOLK SOUTHERN	X			X		X			X		X		X	
NORTHERN TELECOM	X			X							X	Stock	X	X
NORTHERN TRUST	X		X	X						X	X			
OMNICOM GROUP	X		X		X							Stock		
ORACLE	X							X						
PECO ENERGY	X		X						X		X	Stock	X	X
PENNEY (J.C.)	X			X	X			X	X				X	
PEPSICO	X				X			X			X	Stock		
PFIZER	X		X	X					X		X		X	
PG&E	X			X		X		X	X		X		X	
PHARMACIA & UPJOHN	X		X					X	X		X		X	
PHILIP MORRIS	X	X	X		X					X	X			
PHILLIPS PETROLEUM	X			X					X	X		Rest. Stock		
PITNEY BOWES	X			X	X	X			X		X	Options	X	
PNC BANK	X		X	X						X	X			
PPG INDUSTRIES	X								X		X			
PROCTER & GAMBLE	X		X					X	X			Stock	X	
PROGRESSIVE	X							X			X			

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	Appreciation		Full Value			Other Grants	Automatic			Elective				
	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Dividend Rights	Other Types	Stock Options	Restricted Stock	Unrestricted Stock	Deferred Stock Units	Other Elective Grants	Executive	Director
PROVIDIAN FINANCIAL	X		X					X				Stock		
PUBLIC SERVICE ENTERPRISE GROUP	X		X		X	X	Tandem		X	X				
QUAKER OATS	X		X					X	X		X	Options	X	
RALSTON PURINA	X		X		X						X			
RAYTHEON	X		X						X					
REGIONS FINANCIAL	X	X	X	X							X			
RELIANT ENERGY	X			X		X				X			X	
RITE AID	X			X					X					
RJR NABISCO HOLDINGS	X		X		X			X	X					
ROCKWELL INTERNATIONAL	X		X	X	X			X		X		Rest. Stock	X	
SAFEWAY	X							X			X			X
SARA LEE	X		X	X		X		X			X	Options	X	
SBC COMMUNICATIONS	X		X	X					X		X	Stock		
SCHERING-PLOUGH	X		X	X						X	X			
SCHLUMBERGER	X													
SCHWAB (CHARLES)	X		X	X				X			X	Options		
SEAGRAM	X	X								X	X	Stock		
SEARS, ROEBUCK	X		X	X	X	X		X	X				X	X
SOLECTRON	X							X						
SOUTHERN COMPANY	X				X	X			X		X			
SOUTHWEST AIRLINES	X													
SPRINT	X		X		X			X			X	Stock		
ST. PAUL	X		X	X	X		Stock Purch.	X			X	Rest. Stock	X	X
STAPLES	X						PARSAP	X	X					
STATE STREET	X		X	X					X			Stock		
SUN MICROSYSTEMS	X		X					X					X	
SUNTRUST BANKS	X				X		PARSAP				X			
SYSCO	X		X					X		X		Stock		
TELLABS	X							X					X	
TEXACO	X			X		X			X		X	Stock		
TEXAS INSTRUMENTS	X		X	X		X		X	X		X			
TEXAS UTILITIES			X	X							X			

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	Appreciation		Full Value			Other Grants	Automatic			Elective				
	Stock Options	SARs	Restricted Stock	Performance Shares	Performance Units	Dividend Rights	Other Types	Stock Options	Restricted Stock	Unrestricted Stock	Deferred Stock Units		Other Elective Grants	Executive
TEXTRON	X			X				X			X		X	
TIME WARNER	X							X	X		X			
TJX	X		X		X			X	X		X			
TRANSAMERICA	X				X			X	X					
TRIBUNE	X			X				X		X	X		X	
TRICON GLOBAL RESTAURANTS	X							X		X	X		X	
TYCO INTERNATIONAL	X			X				X			X	Options		
U.S. BANCORP	X		X					X			Stock	X	X	
UNICOM	X		X	X						X	X	Stock		
UNION PACIFIC	X		X	X				X	X		X		X	
UNISYS	X		X						X		X		X	X
UNITED HEALTHCARE	X							X						
UNITED TECHNOLOGIES	X	X	X			X		X	X		X			
US WEST	X		X		X			X	X	X	X	Stock	X	
VIACOM	X							X			X			
WACHOVIA	X	X	X						X		X			
WALGREEN	X			X						X	X			
WAL-MART STORES	X		X					X	X	X				
WARNER-LAMBERT	X								X		X		X	
WASHINGTON MUTUAL	X		X	X				X	X					
WASTE MANAGEMENT	X							X			X			
WELLS FARGO	X		X					X		X	X		X	X
WEYERHAEUSER	X										X		X	
WILLIAMS COS.	X		X					X		X	X	Stock		
WRIGLEY (WM.) JR.			X	X					X		X			
XEROX	X		X	X	X	X		X	X			Rest. Stock	X	

Classification of Grant Types

Grant Type Classifications

For purposes of this report, grant types are classified according to how value is delivered to the recipient, differentiating between “appreciation” grants, “full-value” grants, and “other” grants as summarized below:

Appreciation Grants:

- Stock Options
- Stock Appreciation Rights (SARs)

Full-Value Grants:

- Performance Units
- Performance Shares
- Restricted Stock
- Performance Accelerated Restricted Stock Award Plans (PARSAPs)

Other Grants:

- Dividend Rights
- Stock Purchase Opportunities
- Formula-Value Grants

Appreciation grants typically have no intrinsic value at the time of grant and depend upon the appreciation of a company’s stock price to deliver value to the recipient. Full-value grants, on

the other hand, have value at the time of grant and may either increase or decrease in value depending on company performance and/or subsequent changes in stock price. The “other grants” classification represents a catchall category for awards that are neither pure appreciation nor full-value grants.

Definitions for each of the above grant types, as well as other grant type variations, appear on the following pages of this *Appendix*.

Definition of Grant Types

Appreciation Grants

Stock Options are rights to purchase shares of company stock at a specified price over a stated period, usually ten or less years. Typically, the option price is 100 percent of market value at the time of grant, but several variations of this ‘plain-vanilla’ type option are frequently used in practice:

- *Performance-Accelerated Stock Options* are options that have a set vesting schedule, but the option may be exercised prior to the set vesting if specified performance criteria are met, e.g., attaining specific stock price goals. Options with performance-accelerated vesting provisions become exercisable later in their option term, regardless of attaining the performance goals, to secure favorable accounting treatment.
- *Performance-Vesting Stock Options* are similar to performance-accelerated stock options as their vesting or exercise price is subject to specific performance criteria. The difference is that these awards are considered to have “vesting with teeth”

because the options are forfeited if the performance criteria are not met prior to or by the end of the option term. These grants are typically larger than a normal grant as there is more risk tied to the award. They do not receive favorable accounting treatment and therefore are generally limited to the CEO and other senior executives.

- *Premium Stock Options* are options that have an exercise price *above* market value at the time of grant.
- *Discount Stock Options* are options that have an exercise price *below* market value at the time of grant.
- *Restoration Stock Options* (sometimes referred to as “reload” stock options) are stock options granted as a result of exercising stock options using already-owned shares in a stock-for-stock exercise. The size of the additional stock option grant is equal to the number of shares used to pay the exercise price, with the new exercise price set at the current market value and a term equal to that remaining on the original options.

- *Indexed Stock Options* are options that have an exercise price that may fluctuate above or below market value at grant, depending on the company’s stock price performance relative to a specified index or the movement of the index itself. Indexed options differ from performance options in that the exercise price of indexed options typically remains variable until the option is exercised.

Definition of Grant Types

Stock Appreciation Rights (“SARs”) are rights to receive the increase between the grant price and market price of the company stock. This survey covers three types of market-based SARs:

- *Tandem SARs* are rights to receive the gain on a stock option in lieu of exercising the option, with the exercise of one canceling the other.
- *Freestanding SARs* are rights to receive the gain on a “phantom” stock option. Freestanding SARs are granted independently from stock options and, therefore, the exercise of the SAR does not cancel any outstanding stock options.
- *Additive SARs* are rights granted in addition to a stock option. In most cases, the exercise of the underlying option triggers the SAR payment and the two are paid simultaneously (unlike tandem SARs where the exercise of the stock option will cancel the SAR payment and vice versa). Additive SARs are typically used to offset income taxes on the related stock option gain, as well as the tax on the SAR payment.

Full-Value Grants

Performance Units are grants of cash or dollar-denominated units whose payment or value are contingent on performance against predetermined objectives over a multi-year period of time. Actual payouts may be in cash or stock.

Performance Shares are grants of actual shares of stock or stock “units” whose payment is contingent on performance as measured against predetermined objects over a multi-year period of time; same as performance units except that the value paid fluctuates with stock price changes as well as performance against objectives. The payout may be settled in cash or stock.

Restricted Stock consists of grants of actual shares of stock or stock “units” subject to restrictions and risk of forfeiture until vested by continued employment; typically, dividends or dividend equivalents are paid during the restriction period.

Performance-Accelerated Restricted Stock Award Plans (“PARSAPs”), also known as time-accelerated restricted stock award plans (“TARSAPs”), are grants of restricted stock that may vest early upon attain-

ment of specified performance objectives. Otherwise, a time-vesting schedule would remain in effect.

Other Grants

Dividend Rights are rights to receive dividends or the equivalent of dividends paid on a specified number of company shares, and are usually granted in conjunction with other grant types, e.g., stock options and performance shares.

Stock Purchase Opportunities are rights to buy shares of company stock over a short time period either at prices below market value (“discount purchases”), or with favorable financing (including loan forgiveness) from the company or a third party (“market-value purchase”).

Formula-Value Grants are rights to receive value based on a formula rather than the market value of company stock, e.g., book value per share. Final value delivered is the appreciation over the initial grant value and the value of the grant at exercise, like a SAR, or can be the value of a full formula-derived “share,” resembling restricted stock.

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